



October 31, 2013

MEMORANDUM

TO Fiscal Committee

FROM Michelle Minnehan, Chief Operating Officer, Department of Administrative Services – Human Resources Enterprise

RE Human Resource Management System

Background

A Human Resource Management System (HRMS) is critical to efficient and effective HR service delivery. An HRMS is essentially a system that provides the following subsystems that utilize the same database:

- Payroll
- Core HR Data
- Time and Attendance
- Performance Management
- Benefits Administration
- Compensation Administration
- Recruiting Management
- Learning Management
- Employee and Leader Self-Service
- Absence Management
- Analytics and Reporting

The State of Iowa utilizes a Mainframe system developed over 30 years ago for basic HR and Payroll activities. Given the age of our system, our technology capabilities are fairly limited resulting in complex manual processes and support. As we look forward to potential consolidation of human resources, we believe that an upgrade in HR technology is integral to the successful management of human resources across the state. The acquisition of a HRMS would increase the State of Iowa's ability to manage compliance and consistency of HR administration as well as to streamline processes and produce easily obtainable data and reporting on all HR and Payroll topics at both a micro and macro level.

Current State

While the current system allows the State to perform basic human resources functions, the system lacks overall functionality leading to manual and inefficient administrative processes. The following is a brief list of deficiencies of the current system:

- Limited ability to modify system to meet current accounting functionality.
- Limited reporting capabilities leading to manual work when information and data are requested.
- Lack of self-service functionality for employees and leaders.
- Major project to modify system if any new human resource functionality would be introduced.
- Currently have to run additional jobs to distribute payroll expenses to meet department's needs.
- Difficult and time consuming to modify system to handle negotiated items from collective bargaining.
- Lack of flexibility for new issues and items related to state and federal laws.



- The current system is very basic and lacks specialized modules such as benefits administration, learning management, performance management, time and attendance, as well as others. Without these electronic capabilities, these processes are manual, time intensive and result in errors. Additionally, without a centralized system with these capabilities, we find that individual agencies are trying to acquire (or have acquired) individual systems to meet these needs.
- Due to overall limited functionality, processes aren't streamlined and consistent across the State of Iowa.
- The system is programmed using COBOL making it difficult to continue to support.

Estimated Cost and Savings

Given recent advancements in HR technology, including the increased presence of Software-as-a-Service (SaaS) solutions and cloud technology, the landscape, including cost structure, have shifted fairly significantly making now an opportune time to seriously pursue an upgrade in technology.

Most of the savings related to the acquisition of a new system will be intangible in nature. Having said that, we are confident that the efficiency gains through new technology will lead to cost reductions through the following means:

- Reduction in hours of all HR practitioners dealing with HR and payroll services which we estimate will result in reduction of staff.
- Accuracy, consistency and compliance improvements.

The Department of Administrative Services (DAS) is reviewing payment options for the acquisition of a HRMS. Options being considered include acquiring an appropriation, billing to agencies through the current utility rate system or a combination of these two options. DAS believes that these options must be further considered once we have received responses to the RFP process.

Options

The State of Iowa is willing and open to exploring all potential options for a HRMS through the request for proposal (RFP) process. Generally, the State expects to receive proposals for a variety of solutions including on-premise versus SaaS. Given the number of varying technologies and vendors in the marketplace, it is difficult to provide much clarity on the options until the RFP is released. However, below is a basic overview of the pros and cons of the two primary technology types.

	On-Premise	SaaS
PROS	-Total control of system	-Smaller upfront costs -Maintenance and updates occur frequently for all clients; encouraging alignment with best practice -A-la-carte modular solution allowing client to choose modules based on needs
CONS	-Higher up front cost -Equipment is quickly out of date -Upgrades can be labor intensive -Ongoing maintenance and repair costs	-Ongoing subscription costs -Complete dependency upon vendor for improvements and business processes

Request for Proposal

As mentioned, the HR technology landscape has changed dramatically in the last few years presenting the State of Iowa with a number of options as it relates to both the type of technology and cost. Once we finalize plans to proceed with an RFP, as a first step, we intend to acquire the assistance of an external consultant in order to conduct a thorough cost analysis, to define the business case for the acquisition of an HRMS and to assist with the RFP process. In addition, we would rely on the expertise of the consultant for assistance in reviewing of our current processes and identifying recommendations not only related to



process improvement through increased technology but also exploring external solutions for certain pieces of work where we could potentially gain both process and cost efficiencies. We estimate the cost of obtaining a consultant to assist with this review and these services to be around \$100,000 to \$150,000. Once a vendor is awarded, the State believes it is feasible to assume the implementation of the first module within the year; having said that, to ensure success, a phased implementation plan may be followed.
